

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER	<input type="checkbox"/>	DATE	<u>January 31, 2018</u>
MOTOR CARRIER MATTER	<input type="checkbox"/>	DOCKET NO.	<u>2017-207-E/2017-305-E</u>
UTILITIES MATTER	<input checked="" type="checkbox"/>	ORDER NO.	<u>2018-81</u>

THIS DIRECTIVE SHALL SERVE AS THE COMMISSION'S ORDER ON THIS ISSUE.

SUBJECT:

[DOCKET NO. 2017-207-E](#) - Friends of the Earth and Sierra Club, Complainants/Petitioners v. South Carolina Electric & Gas Company, Defendant/Respondent;

-and-

[DOCKET NO. 2017-305-E](#) - Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920 - Staff Presents for Commission Consideration the Office of Regulatory Staff's Examination of the South Carolina Electric & Gas Revenue Report Filed on January 19, 2018 and the Responses of South Carolina Electric & Gas Company.

COMMISSION ACTION:

On September 26, 2017, the Office of Regulatory Staff ("ORS") requested that the Commission order SCE&G to suspend all revised rates collections under the Base Load Review Act.

In turn, on December 20, 2017, through Order No. 2017-769, the Commission formally requested ORS "to carry out a thorough inspection, audit, and examination of SCE&G's revenue requirements" to aid in determining whether suspending revised rates, and the resulting reduction of \$445 million per year in revenue, would cause a cascading financial effect that would force the Company into bankruptcy.

Based on the analysis of bankruptcy counsel, ORS filed a report in response to our order on January 19, 2018, concluding that the suspension of revised rates collections is "unlikely to force SCE&G into bankruptcy." ORS also noted in its filing that "a full audit would take upwards of ninety (90) days."

SCE&G responded on January 22nd, 2018, and again on January 26th, raising several issues with the ORS report and stating that the Commission should not rely on ORS's conclusion. Among the alleged deficiencies, SCE&G maintains that the report is not verified by an accountant and contains incorrect and misleading accounting conclusions. The Company's January 26 filing included an affidavit from an Executive Director of Ernst & Young in support of SCE&G's conclusion that the ORS report contains "incorrectly interpreted and misapplied Generally Accepted Accounting Principles (GAAP)." SCE&G further states that suspending revised rates would cause a \$4.7 billion write down, which would be extremely detrimental to the financial health of the Company and could lead to bankruptcy. As a result of the alleged deficiencies of the report, the Company requests that the Commission enter final judgment in its favor. However, this Commission has already determined to go forward with its

consideration of the merits of the ORS Petition. In the alternative, the Company requests that the Commission request ORS to complete what we set out in Order No. 2017-769. The Small Business Chamber of Commerce supports this request.

Given the magnitude of the issues in this Docket and their effects on the State of South Carolina, I move that we request ORS to complete its performance of what this Commission requested – that is, a thorough audit, inspection and examination of the company’s books – to better help us reach a proper resolution in this matter, and to file its results by March 30. If the assistance of a utility financial professional is needed to carry out its assessment, I move we encourage ORS to seek such assistance.

As part of its examination, I move that we request ORS to provide a sworn affidavit from a Certified Public Accountant (CPA), preferably from an accounting firm recognized to have experience in matters of the magnitude of the issues in this proceeding, demonstrating the effect on the Company’s financial position for all elements of the relief that the ORS has requested in Paragraphs 19-20 of its Petition in Docket No. 2017-305-E. If ORS needs more time, the Commission would consider granting an extension as not being unreasonable.

PRESIDING: Whitfield

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BOCKMAN	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ELAM	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: J. Schmieding

